BRAVEHEART
INVESTMENT GROUP

Braveheart Investment Group plc

Half-Yearly Report

2017

Key points

- Revenue of £397,000 in the six months ended 30 September 2017 (2016: £562,000);
- Profit of £191,000 in the six months ended 30 September 2017 (2016: £475,000);
- Earnings per share of 0.71p in the six months ended 30 September 2017 (2016: 1.67p);
- Continuation of new investment strategy, investment increased in all strategic businesses with momentum building; and
- Gyrometric – significant further investment reflects growing prospects.

Overview

Interim Financial Statements and Notes

We are pleased to report to shareholders the results for the six months ended 30 September 2017.

Financial Review

Revenue was £397,000 in the six months ended 30 September 2017 (2016: £562,000).

We have undertaken an unaudited interim review of the valuations of the Group's directly held investments and have concluded that, at this stage, these valuations should remain largely unchanged. Therefore, as at 30 September 2017, the fair value of the Group's investment was £1,031,000, which comprises the valuations of the historic investments made by Braveheart up to 2015 (the "Portfolio") of £368,000 and the strategic investments (the three investments made by Braveheart from 2016, the "Strategic Investments") of £663,000. This figure includes the additional investments made into these three companies during the period under review of £160,000. It should be noted that we continue to value all our Strategic Investments at cost and with no valuation recognition of the significant progress that these three companies have made since our initial investments into them. We expect to be reviewing these valuations at the preparation of the accounts for the financial year to 31 March 2018.

Our operating costs for the period under review were £207,000 (2016: £435,000), a reduction of 52 per cent. on the prior period. This further reduction in costs is partially as a result of our on-going overheads being reduced with, for example, employee expenses falling from £275,000 for the 6 months to 30 September 2016 to £170,562 for the period under review and also because we have been able to write back into the accounts certain accrued for costs that we have now resolved without the full accrual being required. The reduction in cash to £999,000 on our balance sheet reflects further investment in our strategic investments and a reduction in payables, primarily to British Business Bank. We report a profit before tax for the period under review of £191,000 (2016: profit of £475,000). This equates to earnings per share of 0.71 pence. We have not made any disposals from the Portfolio during the period under review and have also maintained the valuations of the Portfolio and the Strategic Investments at the levels that were reported in our last annual accounts. This has meant that although our interim profit before tax of £191,000 is a reduction from that achieved in the same period last year (6 months to 30 September 2016: £475,000) the 2016 figure includes a book profit on one disposal from the Portfolio of £303,000. If this profit from the disposal is excluded from the profit before tax figure, the comparative figures are similar, £191,000 for the period under review compared to £172,000 for the 6 months to 30 September 2016.

Strategic Investments

We believe that our Strategic Investments are the most likely drivers of growth in shareholder value over the remainder of the current year and so have concentrated this CEO Statement on their operations and prospects.

Gyrometric operational update

In January 2017, we announced that Braveheart had acquired a 40% holding in Gyrometric Systems Limited ("Gyrometric"). Since then we have invested further, including a convertible loan, which if converted is expected to take our total holding to 44 per cent. In addition, on 26 September 2017, we agreed to purchase existing shares from Nottingham Trent University on a profit share basis. This purchase is expected to complete before the end of this month, at which time our holding would rise to 56.6 per cent. of the issued share capital (subject to certain profit share arrangements on the 12 per cent. acquired from Nottingham Trent University).

Gyrometric has developed a patent protected system of hardware and software to accurately monitor the movements in rotating shafts. Warnings generated by this system help prevent expensive and untimely breakdowns in industry and transport.

A particular opportunity for this technology is the European wind turbine market, where new asset financing exceeded €27bn in 2016 as countries rapidly build wind generation capacity. Its Gyromon™ product is capable of measuring the angular position of a rotating shaft to within 1/600th of a degree and a radial displacement to one micron. With such information, it is possible to monitor torque, angular vibrations and radial movements across couplings, bearings and gearboxes as the load varies or the components wear.

In May 2017, Gyrometric was advised that its technology would be installed and tested in the 7MW wind turbine nacelle at Blyth, the UK's Centre of Excellence for Renewable Energy. The Gyromon™ system is now installed and commissioned within the nacelle, from which Gyrometric receives real-time data. The drivetrain test programme will commence next month and Gyrometric will be able to monitor every movement from its offices in Nottingham.

The UK leads the European market in large-scale offshore wind turbines with over 1,472 connected and capable of generating 5.2 GW. Europe's total wind power generation capacity increased by 8.8% in 2016 to 153 GW (141 GW from onshore and 12.6 GW from offshore wind turbines). In 2016, wind energy generated enough electricity to meet 10.4% of the EU-28 total electricity demand and this is growing. The size of wind turbines varies depending on location, but the largest can now generate more than 8.5MW and have blades over 70m in length.

Retrofitting the Gyromon™ to wind turbines in service is challenging because of their remote location and size. As the cost of a gearbox failure is estimated to be £700,000 (when capital cost, repair and down-time are included) the Gyrometric management believe that it saves turbine operators costs in the long term.

Gyrometric's vision is for the Gyromon™ to be fitted to all wind turbines by the original equipment maker. The encoder and sensors are standard parts, but the electronics and analysis software are proprietary. Because the Gyromon™ can monitor the loads on the drive-train in real-time, Gyrometric's customers can use the data to operate their equipment closer to maximum output. Generating more power and reducing the risk of failure would significantly increase the operator's return on investment.

On completion of the acquisition of shares from Nottingham Trent University, our holding in Gyrometric will rise to over 50 per cent. As a result, we anticipate that the accounts for Gyrometric will need to be consolidated into the Braveheart Group's accounts for the financial year to 31 March 2018.

Paraytec operational update

During the period, Braveheart invested further including a convertible loan which, if converted, is expected to increase our total holding to 48 per cent.

Paraytec is a scientific instrument company which has developed the ActiPix™ brand of ultra-violet (UV) area imaging detectors which use visible and UV light to analyse various characteristics of liquid samples. These instruments have applications in a wide range of industries including pharma, biopharma, personal care, food, health care diagnostics and cosmetics.

The Company recently announced a project funded by Innovate UK to develop the next generation of products based on Paraytec's ActiPix™ technology. The initial research project is to produce a point-of-care instrument for the detection of bladder cancer cells in urine. A second, derived project, is a feasibility study for the development of a phone camera based detection system for identifying cancer cells in urine.

Bladder cancer affects more than 10,000 people in the UK each year, the seventh most common cancer in the UK. Bladder cancer patients are more likely to suffer a recurrence than those suffering other types of cancer. They currently require –two to four visits per year for an expensive and invasive hospital outpatient procedure, white-light cystoscopy. This is used together with cytology, the microscopic examination of human cells separated out from urine, which is a 50-year-old technology, insensitive and prone to human error and sampling error.

Regular non-invasive monitoring of patients, using ActiPix™ technology, could significantly reduce NHS costs, improve treatment and reduce the patient discomfort caused by existing monitoring methods.

A further development programme is under review for use of Paraytec's technology to detect biomarkers connected to neurodegeneration. The company's partners have proved that it is possible to follow the progression of Alzheimer's disease (AD) by measuring protein concentration in blood samples, using a method which has been shown to classify AD patients into those who will later rapidly lose their mental abilities ("fast decliners") compared with those who will slowly decline mentally ("slow decliners"). A blood biomarker for AD onset or progression is a highly desirable alternative to the current markers in cerebrospinal fluid (CSF), as CSF can only be acquired with an invasive lumbar puncture procedure, unlike blood analysis which is considered non-invasive.

Kirkstall operational update

Kirkstall Limited ("Kirkstall") has developed Quasi Vivo™, a system of interconnected chambers for cell and tissue culture in laboratories. It has established a significant position in the rapidly emerging field that has become known as 'organ-on-a-chip', where its patented technology is used by researchers in academia and drug development companies to maintain living cells in a nutrient flow.

In September 2017 Kirkstall signed a global distribution agreement with a leading Swiss life-science company, Lonza. This marks a significant step in the roll-out of Kirkstall's Quasi Vivo™ technology, giving the Company access to Lonza's sales team across the world and product shipments have commenced to Germany and the US.

As reported on 13 September 2017, the board of Kirkstall has announced that it is seeking to raise up to £2.5 million in a private placing at a pre-money valuation of £5.6 million. There can be no certainty that the fundraising by Kirkstall will be completed, how much will be raised or, if a placing is completed, at what pre-money valuation the placing will be effected at.

However, if the private placing is successful we believe that this would transform Kirkstall, allowing it to rapidly expand the Quasi Vivo™ product portfolio to meet the requests of existing customers. It will also strengthen the sales and technical teams, in order to support distributors at the same time sales building direct sales.

Viking Fund Managers

The fund management business, Viking Fund Managers Limited ("Viking"), has continued to focus upon the management of the Finance Yorkshire Equity Fund. This fund invested both debt and equity into businesses in the Yorkshire and Humber region in unit sizes of £50,000 to £2 million. The fund has now been fully invested and so the emphasis is now upon monitoring investments and achieving their successful realisations. This fund management contract continues until December 2019. We continue to be in discussions with a number of parties concerning the raising of new funds which would be managed by Viking and the appointment of Viking for the management of existing funds where the incumbent manager is to be replaced.

Outlook

The primary focus of the Board over the next months will be to work energetically with the boards of our Strategic Investments to promote medium and longer-term capital growth from the expansion of their operations. With the many operational and corporate initiatives and developments currently underway in our portfolio, we anticipate a busy and exciting period ahead and we view the future of the Group with confidence.

Trevor E Brown
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2017

	Note	Six months ended 30 September 2017 (unaudited) £	Six months ended 30 September 2016 (unaudited) £	Year ended 31 March 2017 (audited) £
Revenue		388,848	561,327	1,153,645
Change in fair value of investments	4	8,582	31,772	183,475
Movement on contingent consideration/liability		-	-	13,580
Gain on disposal of investment		-	303,475	252,747
Finance revenue		51	13,055	5,182
Total income		397,481	909,629	1,608,629
Employee benefits expense		(170,562)	(275,145)	(440,594)
Other operating costs		(34,159)	(156,910)	(384,143)
Finance costs		(1,923)	(2,491)	(4,364)
Total costs		(206,644)	(434,546)	(829,101)
Profit before tax		190,837	475,083	779,528
Tax		-	-	-
Profit after tax for the period and total comprehensive income for the period		190,837	475,083	779,528
Profit attributable to:				
Equity holders of the parent		190,837	450,696	767,900
Non-controlling interest		-	24,387	11,628
		190,837	475,083	779,528
Basic earnings per share		Pence	Pence	Pence
- Basic		0.71	1.67	2.84
- Diluted		0.69	1.67	2.81

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2017

	Note	30 September 2017 (unaudited) £	30 September 2016 (unaudited) £	31 March 2017 (audited) £
ASSETS				
Non-current assets				
Goodwill	3	380,000	380,000	380,000
Investments at fair value through profit or loss	4	1,030,711	721,824	862,129
Other receivables		150,193	366,200	150,193
		1,560,904	1,468,024	1,392,322
Current assets				
Trade and other receivables		443,852	186,187	516,446
Cash and cash equivalents		998,769	1,333,681	1,420,850
		1,442,621	1,519,868	1,937,296
Total assets		3,003,525	2,987,892	3,329,618
LIABILITIES				
Current liabilities				
Trade and other payables		(225,611)	(421,964)	(768,528)
Contingent consideration/liability		-	(216,711)	-
Deferred income		(53,481)	(66,023)	(31,532)
		(279,092)	(704,698)	(800,060)
Non-current liabilities				
Borrowings		(43,369)	(43,392)	(43,392)
Other payables		-	(58,898)	-
		(43,369)	(102,290)	(43,392)
Total liabilities		(322,461)	(806,988)	(843,452)
Net assets		2,681,064	2,180,904	2,486,166
EQUITY				
Called up share capital	5	541,650	541,109	541,109
Share premium		1,567,615	1,564,095	1,564,095
Merger reserve		523,367	523,267	523,367
Retained earnings		72,819	(436,039)	(118,018)
Equity attributable to owners of the parent		2,705,351	2,192,432	2,510,553
Non-controlling interest		(24,387)	(11,628)	(24,387)
Total equity		2,681,064	2,180,904	2,486,166

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2017

	Six months ended 30 September 2017 (unaudited) £	Six months ended 30 September 2016 (unaudited) £	Year ended 31 March 2017 (audited) £
Operating activities			
Profit before tax	190,837	475,083	779,528
Adjustments to reconcile profit/(loss) before tax to net cash flows from operating activities			
Share-based payments expense	-	817	1,634
Impairment losses	-	-	-
Increase in the fair value movements of investments	(8,582)	(31,711)	(183,475)
Gain on disposal of equity investments	-	(303,475)	(252,747)
Interest income	(51)	(13,055)	(5,182)
Decrease/(increase) in trade and other receivables	72,594	(48,064)	(161,589)
Decrease in trade and other payables	(520,991)	(102,755)	(66,989)
Net cash flow from operating activities	(266,193)	(23,160)	111,180
Investing activities			
Proceeds from sale of equity investments	-	399,000	513,857
Increase in investments	(160,000)	(318,000)	(472,155)
Interest received	51	13,055	5,182
Net cash flow from investing activities	(159,949)	94,055	(46,884)
Financing activities			
Issue of share capital	4,061	-	-
Net cash flow from financing activities	4,061	-	-
Net (Decrease)/increase in cash and cash equivalents	(422,081)	70,895	158,064
Cash and cash equivalents at the start of the period	1,420,850	1,262,786	1,262,786
Cash and cash equivalents at the end of the period	998,769	1,333,681	1,420,850

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2017

	Attributable to owners of the Parent						
	Share Capital £	Share Premium £	Merger Reserve £	Retained Earnings £	Total £	Non-controlling Interest £	Total Equity £
At 1 April 2016 (audited)	**541,109**	**1,564,095**	**523,367**	**(887,552)**	**1,741,019**	**(36,015)**	**1,705,004**
Share-based payments	-	-	-	817	817	-	817
Transactions with owners	-	-	-	817	817	-	817
Profit and total comprehensive income for the period	-	-	-	450,696	450,696	24,387	475,083
At 30 September 2016 (unaudited)	**541,109**	**1,564,095**	**523,367**	**(436,039)**	**2,191,432**	**(11,628)**	**2,180,904**
Share-based payments	-	-	-	1,634	1,634	-	1,634
Transactions with owners	-	-	-	1,634	1,634	-	1,634
Loss and total comprehensive income for the period	-	-	-	316,387	316,387	(12,759)	303,628
At 1 April 2017 (audited)	**541,109**	**1,564,095**	**523,367**	**(118,018)**	**2,510,553**	**(24,387)**	**2,486,166**
Share-based payments	-	-	-	-	-	-	-
Issue of equity shares	541	3,520	-	-	4,061	-	4,061
Transactions with owners	541	3,520	-	-	4,061	-	4,061
Profit and total comprehensive income for the period	-	-	-	190,837	190,837	-	190,837
At 30 September 2017 (unaudited)	**541,650**	**1,567,615**	**523,367**	**72,819**	**2,705,351**	**(24,387)**	**2,681,064**

1 Basis of preparation

The financial information presented in this half-yearly report constitutes the condensed consolidated financial statements (the interim financial statements) of Braveheart Investment Group plc ("Braveheart" or "the Company"), a company incorporated in the United Kingdom and registered in Scotland, and its subsidiaries (together, "the Group") for the six months ended 30 September 2017. The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2017 which have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. The financial information in this half-yearly report, which was approved by the Board and authorised for issue on 19~~X~~ October 2017 is unaudited.

Commented [JT1]: To be completed when known

The interim financial statements do not constitute statutory accounts for the purpose of sections 434 and 435 of the Companies Act 2006. The comparative financial information presented herein for the year ended 31 March 2017 has been extracted from the Group's Annual Report and Accounts for the year ended 31 March 2017 which have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The preparation of the half-yearly report requires management to make judgements, estimates and assumptions that affect the policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing this half-yearly report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended 31 March 2017.

The interim financial statements have been prepared using the same accounting policies as those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2017 and which will form the basis of the 2018 Annual Report. The interim financial statements have been prepared on the same basis as the financial statements for year ended 31 March 2017 which is on the assumption that the Company is a going concern.

2 Earnings per share

The basic earnings per share has been calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

The calculation of earnings per share is based on the following profit and number of shares in issue:

	Six months ended 30 Sept 2017 (unaudited) £	Six months ended 30 Sept 2016 (unaudited) £	Year ended 31 Mar 2017 (audited) £
Profit for the period attributable to equity holders of the parent	190,837	450,696	779,528
Weighted average number of ordinary shares in issue:			
- For basic profit per ordinary share	27,063,332	27,055,491	27,055,491
- Potentially dilutive ordinary shares	532,813	-	270,270
- For diluted profit per ordinary share	27,596,145	27,055,491	27,325,761

Dilutive earnings per share adjusts for share options granted where the exercise price is less than the average price of the ordinary shares during the period. At the end of the current period there were 532,813 potentially dilutive ordinary shares.

3 Goodwill

	Viking £	Neon £	Total £
At 1 April 2016 (audited)	-	380,000	380,000
At 30 September 2016 (unaudited)	-	380,000	380,000
At 30 September 2017 (unaudited)	-	380,000	380,000

The Group assessed the recoverable amount of the above goodwill with Neon's cash generating units and determined that goodwill was not impaired.

4 Investments at fair value through profit or loss

	Level 1	Level 2		Level 3		
	Equity investments in quoted companies	Equity investments in unquoted companies	Debt investments in unquoted companies	Equity investments in unquoted companies	Debt investments in unquoted companies	Total
	£	£	£	£	£	£
At 1 April 2016 (audited)	**165,554**	**-**	**-**	**302,055**	**-**	**467,609**
Disposals	-	-	-	(95,556)	-	(95,556)
Additions at cost	-	-	-	288,000	30,000	318,000
Change in Fair Value	-	-	-	31,771	-	31,771
At 30 September 2016 (unaudited)	**165,554**	**-**	**-**	**526,270**	**30,000**	**721,824**
Disposals/Repayments	(165,554)	-	-	-	-	(165,554)
Additions at cost	-	-	-	85,000	69,155	154,155
Change in Fair Value	-	-	-	151,704	-	151,704
At 1 April 2017 (audited)	**-**	**-**	**-**	**762,974**	**99,155**	**862,129**
Disposals	-	-	-	-	-	-
Additions at cost	-	-	-	75,000	85,000	160,000
Change in Fair Value	-	-	-	8,582	-	8,582
At 30 September 2017 (unaudited)	**-**	**-**	**-**	**931,556**	**99,155**	**1,030,711**

The accounting policies in regards to valuations in these half-yearly results are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2017 and which will form the basis of the 2018 Annual Report and Accounts. Investments are designated as fair value through profit or loss and are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period in which they arise.

The Group classifies its investments using a fair value hierarchy. Classification within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant investment as follows:

- Level 1 - valued using quoted prices in active markets for identical assets;
- Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1; and
- Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

Investments at fair value through profit or loss (continued)

The fair values of quoted investments are based on bid prices in an active market at the reporting date. All unquoted investments have been classified as Level 3 within the fair value hierarchy, their respective valuations having been calculated using a number of valuation techniques and assumptions, notwithstanding that the basis of the valuation methodology used most commonly by the Group is 'price of most recent investment'. The use of reasonably possible alternative assumptions has no material effect on the fair valuation of the related investments. The impact on the fair value of investments if the discount rate and provision shift by 1% is £3,680 (2016: £1,789).

5 Share capital

	30 Sept 2017 (unaudited)	30 Sept 2016 (unaudited)	31 Mar 2017 (audited)
Authorised	£	£	£
33,645,000 ordinary shares of 2 pence each (30 September 2016: 33,645,000, 31 March 2017: 33,645,000)	672,900	672,900	672,900
Allotted, called up and fully paid			
27,082,565 ordinary shares of 2 pence each (30 September 2016: 27,055,491, 31 March 2017: 27,055,491)	541,650	541,109	541,109

The Company has one class of ordinary shares. All shares carry equal voting rights, equal rights to income and distribution of assets on liquidation or otherwise, and no right to fixed income.

6 Availability of Interim Results

Shareholder communications

A copy of this report is available on request from the Company's registered office: 2 Dundee Road, Perth, PH2 7DW. A copy has also been posted on the Company's website: www.braveheartinvestmentgroup.co.uk.

Directors, Secretary, Registered Office and Advisers

Directors

Trevor E Brown, *Chief Executive Officer*
Jonathan D Freeman BA Hons MBA, *Non-executive Director*
Andrew T G Burton BSc, *Executive Director* *(retired 31 August 2017)*
Vivian Hallam BSc, CEng, MBA, *Director* *(appointed 7 June 2017)*

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